

**TESTIMONY OF MICHELE L. TILLEY**

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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A. Michele L. Tilley, 1500 Ronson Road, Iselin, New Jersey 08830.

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Q. PLEASE STATE YOUR PROFESSIONAL QUALIFICATIONS AND EXPERIENCE.

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A. I have been employed with Middlesex Water Company (Middlesex or the

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Company) since July, 2007. My present duties consist of preparing and assisting

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in all regulatory and rate planning related activities for Middlesex, as well as all of

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its other regulated water and wastewater entities in New Jersey, Delaware and

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Pennsylvania. My responsibilities include the preparation and review of financial

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statements, work papers, exhibits, pre-filed testimony and other activities in

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support of the regulatory and planning activities for Middlesex. I have prepared

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exhibits and analysis for every rate adjustment related matter since my

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employment began in 2007. My responsibilities also include managing the

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Company's budget process and income tax compliance filings. Prior to 2007, I

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held various financial positions in publically traded companies primarily within

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the retail industry. I earned a Bachelor of Science Degree in Accounting from

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Rutgers University in 1989.

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Q. PLEASE EXPLAIN SCHEDULE 2, ENTITLED RATE BASE.

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A. This schedule details the various components of rate base. The Test Period rate

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base was developed by beginning with the Test Year as of September 30, 2013

1 and projecting the balances as of June 30, 2014. Schedule 2-1 details the  
2 calculations for Utility Plant, Accumulated Depreciation, Customer Advances and  
3 Contributions-in-Aid-of- Construction.

4 Line Number 1 - Utility Plant - Schedule 2A, Pages 2 and 3, details the projected  
5 capital projects to be completed during the Test Period ended June 30, 2014. This  
6 information was developed and sponsored by Mr. Kalmbacher and was added to  
7 the actual Utility Plant as of September 30, 2013. Retirement information shown  
8 on Schedule 2A, Page 1 of 3, which was also developed and sponsored by Mr.  
9 Kalmbacher, was subtracted from Utility Plant as of September 30, 2013.

10 Schedule 2A, Page 1 of 3, shows Utility Plant by PSC Account Number at  
11 September 30, 2013 and June 30, 2014, the Test Period.

12 Line Number 2 - Accumulated Depreciation - Line Number 2 shows actual  
13 Accumulated Depreciation at September 30, 2013, which was adjusted for the  
14 Test Period depreciation calculated on Schedule 3N, for January 1, 2013 to June  
15 30, 2014. Retirements were subtracted from Accumulated Depreciation.

16 Schedule 2C shows the Accumulated Depreciation at September 30, 2013 and at  
17 the end of the Test Period, by PSC Account Number.

18 Line Number 4 - Materials & Supplies – Line Number 4 represents permanent  
19 investments in inventories of materials and supplies that are needed for the proper  
20 operation of a water utility. The average monthly balance for the twelve months  
21 ended September 30, 2013 was used for the Test Year, and an estimated average

1 monthly balance for the twelve months ending June 30, 2014 was used for the  
2 Test Period. The calculations are detailed on Schedule 2E, Page 1.

3 Line Number 5 - Cash Working Capital – Line Number 5 has been calculated  
4 using the results obtained from a comprehensive Lead/Lag Study prepared under  
5 the supervision of Mr. A. Bruce O'Connor, Tidewater's Treasurer. In all prior  
6 Tidewater base rate proceedings, the "1/8 Method" cash working capital model  
7 had been employed in determining this rate base component. Schedule 2E, Page  
8 2, details the mathematical calculation of Cash Working Capital for the Test Year  
9 and Test Period.

10 Q. WHY DID TIDEWATER CHANGE ITS CASH WORKING CAPITAL  
11 MODEL?

12 A. As part of the settlement agreement in Tidewater's most recent base rate  
13 proceeding (PSC Docket No. 11-397, Order No. 8164), Tidewater committed to  
14 file a Lead/Lag Study in its next base rate proceeding.

15 Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE COMPONENTS  
16 OF RATE BASE AS SUMMARIZED ON SCHEDULE 2?

17 A. Line Number 6 - Deferred Income Taxes (Property Related) - First, this schedule  
18 shows the accumulated deferred income taxes on normalized depreciation and  
19 taxable developer advances as of the end of the Test Year of September 30, 2013.  
20 Next, it shows the pro forma adjustment to arrive at the accumulated deferred  
21 income taxes as of the end of the Test Period of June 30, 2014. That adjustment  
22 was calculated by determining the normalized depreciation on the projected utility

1 plant at the end of the Test Year and applying the combined income tax rate to the  
2 normalized depreciation. Next, I applied the combined income tax rate to the  
3 rebates made to refund taxable developer advances.

4 Line Numbers 8 & 9 - Customer Advances for Construction and Contributions-in-  
5 Aid-of-Construction – Line Numbers 8 and 9 show that Customer Advances for  
6 Construction and Contributions-in-Aid-of-Construction were developed by taking  
7 the end of the Test Year of September 30, 2013 balances and adding the advances  
8 and contributions, then subtracting any refunds during the Test Period, as  
9 developed and sponsored by Mr. Kalmbacher in his testimony and on Schedule  
10 2A.

11 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

12 A. Yes.

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